

M e m o r a n d u m

To: Panel Members

Date: 9/25/2003

From: Ruby Cohen, Manager

Analyst: K. Udarbe

Subject: One-Step Agreement for **Schurter, Inc.**

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Stimulating Exports/Imports
Moving to a High Performance Workplace
- Type of Industry: Various Industries
Electronic Parts Importer/Distributor
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 1,000
 - *In California:* 27
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$27,625
- Substantial Contribution: \$0
- Total ETP Funding: \$27,625
- Total In-kind Contribution: \$51,109
 - *Trainee Wages Paid During Training:* \$45,109
 - *Other Contributions:* \$6,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Sonoma

INTRODUCTION:

Schurter, Inc. (Schurter) is located in Santa Rosa, California. The company imports, markets, sells and distributes electronic components such as fuses, circuit breakers, connectors, switches and keypads. These components are used in electronic devices like computers, telephone systems and medical devices. Eighty-five percent of company sales are to out-of-state and international markets.

Schurter qualifies for ETP funding under the Out-of-State Competition Provisions outlined under Title 22, California Code of Regulations Section 4416(a)(3,4) for the integrated sales, distribution and related internal services on behalf of customers located both inside and outside the state of California.

Schurter is requesting Panel funds to retrain and upgrade the skills of 27 workers with the aim of moving to a high performance workplace and maintaining a competitive position in the industry.

MEETING ETP GOALS AND OBJECTIVES:

Schurter proposes training that will further the following ETP goals and objectives:

- 1) ETP training funds are requested to assist employee retraining in a California-based company faced with out-of-state competition. The funding will be consistent with ETP's legislative mandate and funding priority to foster job retention in companies faced with out-of-state competition.
- 2) The proposed training is targeted to workers in good jobs and earning good wages, above the ETP minimum wage. The training meets ETP's legislative mandate to invest in developing the skills of workers and to foster job-retention in high-wage, high-skilled jobs.

TRAINING PLAN TABLE:

Group/ Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees	Menu Manufacturing Skills Continuous Improvement Business Skills Computer Skills Management Skills	25	72 – 104 Average 85 hours		Average \$1,105	\$11.51 - \$51.30
					<u>Prevalent Hourly Wage</u> \$15.31	
					<u>Average Cost Per Trainee</u> \$1,105	
<u>Health Benefits Used To Meet ETP Minimum Wage: N/A</u> Although the employer pays health benefits for employees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<u>Turnover Rate</u> 7.0%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 18.0%
<u>Other Employee Benefits:</u> The Contractor also provides medical coverage to employee's dependents with a \$60 per month co-pay by the employee for dental and vision; a 50% match on the first 6% of salary deposited in a 401(k); a quarterly and annual bonus and profit sharing for those who have been with the company for three or more years; two to five weeks vacation (depending on tenure); one personal day off; and ten sick leave days per year.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

All participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations (CCR), Section 4400(ee) except for five managers.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

Schurter, Inc. was established in Sonoma County, California in 1981 and is an affiliate with Schurter Holding, AG in Lucerne, Switzerland. Its products are manufactured in Switzerland, Germany, France and England. Schurter sells its products to distributors who, in turn, sell to manufacturers. Its top five Original Equipment Manufacturers (OEM) are Hewlett Packard (Texas), Cisco Systems (California), Hughes (Maryland), Schlumberger (California) and Avaya (Colorado). The company's gross sales in 2002 were \$16.8 million of which 15.0 percent were sales within California, 71.0 percent in national domestic sales and 14.0 percent in international markets.

The company is faced with competition from companies based in Illinois (Littelfuse), Missouri (Bussmann), New Jersey (Power Dynamics), and New York (ITT Cannon) as well as companies in Europe and lower cost products coming from Asia.

In response to industry competition, the company reports that it has been undertaking organizational improvements. It recently introduced the Malcolm Baldrige Quality Standards as the method of assessing the needs of the organization as it relates to operating processes, management and customer service. Its Enterprise Resource Planning (ERP) system was upgraded in early 2003. The ongoing modifications of its inventory and warehouse management processes include the installation of a carousel system that will cost \$70,000. According to the company, the Annual Employee Satisfaction Survey and a formal training needs assessment identified a corresponding need for employee skills upgrading in order to understand and fully utilize the new management approaches, technology and facilities.

NARRATIVE: (continued)

Training Plan

The types of training are described as follows:

Manufacturing Skills: Warehouse personnel will be trained in the operation of the new warehouse carousel equipment, in physically handling the products, and in the use of the integrated computer software used to track and monitor inventory levels. Customer service personnel are involved with processing customer orders and will also be cross-trained in the new Enterprise Resource Planning (ERP) system. The expected results of this training shall be on-time inventory monitoring and tracking, reduction in supply order lag times, and efficient communications between warehouse and customer service personnel.

Continuous Improvement: Moving to a high performance workplace will involve training in total quality management (TQM) concepts; international standards organization (ISO) training, process improvement training and leadership skills training. The outcome would be a skilled workforce with the ability to understand and address workflow inefficiencies; analyze sourcing and supply problems and delivery bottlenecks; present and implement solutions; and strengthen departmental work units.

Business Skills: The trainees will be trained in basic accounting, payroll systems, marketing, inventory control, product knowledge and customer relations. The training will enhance employee understanding of inter-departmental roles and process; improve resource management skills; market and promote the company and its products; and provide effective customer service.

Computer Skills: The training will upgrade employee skills in the advanced applications of Word, Excel, PowerPoint, Access, Hyper-Text Markup Language (HTML) and the expanded essential tasks of database management communications. Although many employees are already using some of the software, they have not had formal training and are unable to fully utilize these programs. Consequently, employees are at various levels of expertise and proficiency and thereby limited in the tasks and applications assigned to them. The training will enable trainees to utilize the software to input and analyze data and prepare departmental reports and presentations.

The Information Technology (IT) department maintains the company's computer system. These employees need to be trained in the latest technology for network management and certified network engineers.

Management Skills: Managers and supervisors will be trained in leadership techniques, communication skills, employee coaching and motivation, and conflict resolution. Improved management and leadership skills will help the company reduce costs and increase productivity through greater employee input in unit decision-making, motivation and team-building.

Supplemental Nature of Training

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

NARRATIVE: (continued)

Supplemental Nature of Training (continued)

Past and current training provided by the company for employees involve sending them to one-day, short-term seminars. The company also conducted periodic in-house process assessments whenever the need arose from customer complaints and operating constraints. These sessions have been beneficial, but they have not been done consistently in a structured format. The ETP-funded training will follow a structured curriculum designed to cross-train company personnel within a set timeframe.

The proposed training responds to the needs identified by the employee satisfaction survey and addresses the need to retrain employees in the use of the new warehouse equipment and technology; the new ERP system; and the need to improve customer service in order to remain competitive in the industry.

SUBCONTRACTORS:

EBP, Inc. of Oakland, California at a cost of \$16,000 for continuous improvement training.

Dynamic Interactions of Santa Rosa, California at a cost of \$12,000 for management skills and continuous improvement training.

THIRD PARTY SERVICES:

The applicant states consultant services have not and will not be used other than those specified in the Subcontractor section.

Schurter, Inc.
Menu Curriculum

Class/Lab
72-104
Hours

Trainees will receive training in one or more of the following:

MANUFACTURING SKILLS

Equipment Operation
Inventory Control
Warehousing

CONTINUOUS IMPROVEMENT

Problem Solving
Teambuilding
Quality Concepts
Total Quality Management (TQM)
International Standards Organization (ISO)
Process Improvement

BUSINESS SKILLS

Accounting
Payroll
Marketing
Business Plans
Financial Strategies
Product Knowledge
Evaluations
Interpersonal Skills
Customer Relations
Telephone Skills
Resolving Customer Complaints

COMPUTER SKILLS

Word Processing
Excel Spreadsheets
PowerPoint Presentations
Access Database
Enterprise Resource Planning (ERP)
Hyper Text Mark-up Language (HTML)
Network Management
Certified Network Engineer

MANAGEMENT SKILLS

Leadership
Decision Making
Conflict Management
Motivation and Coaching